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June 17, 2014

Ms. Brieanne Aguila  
Manager – MRR Regulation Development  
Climate Change Program Data Section  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

Dear Ms. Aguila:

Subject: Comments on the June 2, 2014 Discussion Draft of Potential Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas (GHG) Emissions

The Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to provide informal comments on the June 2, 2014, Discussion Draft of potential amendments to the California Air Resources Board (ARB) Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (Mandatory Reporting Regulation).

LADWP's comments focus on the Electric Power Entity reporting requirements in the following sections of the Mandatory Reporting Regulation:

- §95111(g)(1)(N) – to narrow applicability of the requirement to retain meter data for verification of certain specified imports.
- §95111(b)(2) – provide input on the transmission loss factor for imported electricity.

#### **§95111(g)(1)(N) Meter Data for Verification of Specified Imports**

LADWP supports narrowing applicability of this provision. However, the draft amendment in ARB's June 2, 2014, discussion draft needs to be modified in order to limit applicability of this rule provision to only electricity imported from "Portfolio Content Category 1" renewable generating resources for which the "lesser of" analysis is required under the California Energy Commission's Renewable Portfolio Standard (RPS) regulation.

1) This provision should not apply to all imports from specified sources for which ARB has calculated an emission factor of zero. It is not appropriate to apply the "lesser of" calculation requirement to all specified imports with a zero emission factor. The purpose of the "lesser of" calculation is to distinguish electricity produced by a specified intermittent renewable generating facility from substitute electricity supplied by other sources due to generation imbalance. However, the proposed language would mistakenly apply the "lesser of" calculation to non-intermittent, 100% specified resources with a zero emission factor such as Hoover Dam (large hydro) and Palo Verde Generating Station (nuclear power),

where the electricity is delivered on a dynamic tag that is adjusted to reflect the actual net generation produced by the specified facility during each hour.

As was explained to ARB staff in January, hour-by-hour verification is not necessary for directly delivered electricity imported from non-intermittent generating resources because the electricity is delivered from one and only one source – the specified generating facility – and there is no supplemental source of electricity. Electricity imported from these generating resources is 100% specified. Since there is no “substitute electricity”, there is no reason to verify hourly data using the “lesser of” calculation method. Rather, verification can be accomplished by simply comparing the Electric Power Entity’s entitlement share using data from monthly energy accounting reports or invoices, with electricity delivered from the specified facility based on e-tag data.

In many cases electricity produced by non-intermittent generating resources is delivered to a number of different participants. The “lesser of” calculation would not accurately reflect an individual participant’s full entitlement share throughout the year. For example, a comparison of monthly entitlement share versus schedule data for Palo Verde Generating Station clearly demonstrates there is deviation between a participant’s entitlement share and energy scheduled, and that the deviation is corrected over the course of the year to make the participant whole. Applying the “lesser of” calculation to verify specified imports from this type of facility would not be accurate for the following reasons:

- A. Since the schedule is always in whole mega-watt hours (MWh), selecting the minimum of the hourly schedule or entitlement share for each hour would shave off any fractional MWh the participant is entitled to receive that exceeds the whole MWh scheduled.
- B. A participant can defer receiving a portion of its entitlement share until a later time. When the participant schedules the deferred energy, the hourly schedule will exceed the participant’s hourly entitlement share.

In either case, the hourly schedule will not match the participant’s entitlement share. Therefore, selecting the minimum of the schedule or the entitlement share on an hour-by-hour basis would not recognize the participant’s full entitlement share of the generating facility output for the year as specified, which is not accurate.

2) This provision should not apply to all imports from California Renewable Portfolio Standard (RPS) eligible resources. It is too broad to apply the “lesser of” calculation to all imports from RPS eligible resources. It is our understanding from discussions with ARB management and staff that ARB wants to be consistent with the California Energy Commission requirements for renewable energy imports. The RPS rules do *not* apply the “lesser of” analysis to grandfathered RPS eligible resources or to renewable electricity that is imported under a dynamic transfer agreement. Therefore, applicability of the “lesser of” calculation should be limited to imported renewable energy from “Portfolio Content Category 1” generating resources that are subject to the “lesser of” analysis under Section

3203(a)(1)(C) of the Energy Commission's *Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities*.

In order to narrow applicability of the "lesser of" calculation to only those intermittent RPS resources where the "lesser of" analysis is required under the RPS regulation, LADWP recommends the following revisions to the proposed language:

(N) For verification purposes, retain meter generation data or invoices to document that the power claimed by the reporting entity was generated by the specified facility or unit ~~at the time the power was directly delivered. For all imports from specified sources for which ARB has calculated an emission factor of zero, and for~~ if the specified imports is from a "Portfolio Content Category 1" from ~~are~~ California Renewable Portfolio Standard (RPS) eligible resources ~~that meets the criteria of section 3203(a)(1)(C) of the California Energy Commission's Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities or section 399.16(b) of the Public Utilities Code, and if the imported electricity is not dynamically transferred into a California Balancing Authority, a~~ lesser of analysis ~~is required, and must be~~ conducted according to the following equation may be required by verifiers or ARB as requested.

$$\text{Sum of Lesser of MWh} = \Sigma \text{HM}_{\text{sp}} \min(\text{MG}_{\text{sp}}, \text{TG}_{\text{sp}})$$

Where:

$\Sigma \text{HM}_{\text{sp}}$  = Sum of the Hourly Minimum of  $\text{MG}_{\text{sp}}$  and  $\text{TG}_{\text{sp}}$  (MWh).

$\text{MG}_{\text{sp}}$  = metered facility or unit net generation (MWh).

$\text{TG}_{\text{sp}}$  = tagged or transmitted energy at the transmission or sub-transmission level imported to California (MWh).

### **§95111(b)(2) Transmission Line Loss Factors**

In follow up to the verbal discussion at the public workshop held on June 5, 2014, LADWP recommends retaining the option to report either a 1.0 or a 1.02 transmission loss factor for imported electricity in order to avoid double counting of Greenhouse Gas (GHG) emissions for the support of line losses. Line losses are typically supported by the balancing authority through which the energy is flowing, and are compensated for using electricity produced by other generating resources. For example, electricity imported from Intermountain Generating Station in Utah is supported by LADWP's balancing authority area and generating resources. Therefore, it is appropriate to report a transmission loss factor of 1.0 for electricity imported from Intermountain because the downstream line losses are compensated for using electricity produced by California generating resources or other imported electricity, both of which are subject to reporting under the Mandatory Reporting Regulation. Applying a 1.02 transmission loss factor across the board would artificially inflate California's GHG emissions and unfairly penalize California entities when a California balancing authority is supporting the transmission all the way from the generating facility into California. For the Intermountain example, applying a transmission loss factor of 1.02 rather than 1.0 would increase reported emissions by approximately 200,000 metric tons



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per year, which would increase the cap-and-trade compliance cost by approximately \$2.4 million per year (based on a GHG emission allowance price of \$12 per metric ton).

ARB should retain the option in the Mandatory Reporting Regulation to report either a 1.0 or a 1.02 transmission loss factor, whichever is appropriate for the situation. The owner of the electricity typically receives line loss charges from the transmission service provider. Therefore, the electricity importer is in the best position to determine the appropriate transmission loss factor, depending on whether line losses for their electricity imports are supported using California energy or energy that is not otherwise accounted for under ARB's Mandatory Reporting Regulation.

LADWP appreciates the opportunity to comment and looks forward to further discussions with ARB staff and other stakeholders on these topics.

If you have any questions, please contact me at (213) 367-0403 or Ms. Cindy Parsons (213) 367-0636.

Sincerely,



Mark J. Sedlacek  
Director of Environmental Affairs

CP:dms

c: Ms. Brienne Aguilera, ARB  
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